

CCI Support Paper, S-11b
13 September 1956
Analysts [redacted]
Approved: Ch/S/OM

25X1A9a

Financial Incentives for Workers and Managers

The Sixth Five-Year Plan calls for a complete overhaul of the wage and salary structure in the USSR, with the aim of providing workers and managers with a greater material incentive for increasing output and lowering production costs. The Plan calls for (1) raising the relative proportion of tariff (base) rates in the workers' total earnings; (2) establishment of "correct" wage relationships among industries and occupations; (3) elimination of "incongruities" and disorder in the salary and bonus system for administrative and technical workers; (4) revision of norms and the system of payment for above-norm output.

The re-appraisal of the employee compensation system is the first since 1932, when a basic revision of the wage structure was put into effect. At present most Soviet workers are paid

base wage rates plus premiums for over-fulfillment of norms.

Although average earnings have more than doubled since 1940, the

base rates have remained virtually unchanged. Almost half of a

worker's earnings now come from bonuses for over-fulfillment of

artificially low norms, which generally do not adequately reflect

technological changes. Moreover, jobs requiring similar skills

are paid at widely differing rates, even within the same ministry

and geographic area. The wage structure is extremely complex;

more than 170 base pay schedules exist in the iron and steel in-

dustry, for example. Finally, the salaries and bonuses paid to

managerial employees are not related closely enough to the

extent of fulfillment of enterprise goals with respect to increased

labor productivity and unit cost reductions.

Soviet leaders have clearly recognized these shortcomings. The current wage reform was officially inaugurated more than a year ago with the establishment of a State Committee for Questions of Labor and Wages attached to the Council of Ministers USSR chaired (up to

~~CONFIDENTIAL~~

Approved For Release 2000/08/26 : CIA-RDP61S00527A000200130054-3

1

8 June 56) by the ace trouble-shooter L. M. Kaganovich. Some progress

has already been made toward completion of the Committee's task.

Effective 1 January 1956, new wages and norms were put into effect in

the construction industry. In early August a new system of bonuses

was established to reward workers who design and introduce new technical

equipment; the bonus payments depend on the monetary savings resulting

from the new equipment and the speed with which it is put into effect

in actual production work. Finally, on 8 September the minimum or

basic wages of workers and employees were raised to 300 rubles per

month in urban areas and 270 rubles in rural areas, with higher mini-

um rates (up to 350 rubles) to be established subsequently for some

industries. The new rates will affect an estimated 7-8 million workers

and will add 8 million rubles to the Soviet wage bill.

Raising the wages of low-income workers is in accord with

Kreuchev's statement at the 20th Party Congress that such a project

would be undertaken. It is intended as an interim measure to benefit

low-paid workers pending completion of the general revision of the

~~CONFIDENTIAL~~

Approved For Release 2000/08/26 : CIA-RDP61S00527A000200130054-3

wages and norms, since premium payments for above-norm output and other bonuses will continue to be computed on the basis of existing base rates.

Revision of the wage and salary structure along lines called for by the Sixth Five-Year Plan is an exceedingly complex and time-consuming task. The details necessarily will need to be worked out industry by industry. Although the progress made thus far has not been spectacular, the basic policies and objectives to govern the revision probably have been established, and further changes undoubtedly will be announced as the various phases of the program are completed.

CONFIDENTIAL